

Message Text

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PAGE 01 STATE 067469
ORIGIN EA-12

INFO OCT-01 ISO-00 ONY-00 /013 R

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APPROVED BY EA/TIMBS:ROBERT E. FRITTS
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R 160227Z MAR 78
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C O N F I D E N T I A L STATE 067469

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E.O. 11652:GDS

TAGS: MILI, MASS, PDIP, PGOV, ID, MY, SN, BM, TH

SUBJECT: WEEKLY STATUS REPORT -- THAILAND, INDONESIA,
MALAYSIA, BURMA AND SINGAPORE AFFAIRS

INDONESIA

CALIFORNIA LNG CONTRACT - PRICE ESCALATOR - CONFIDENTIAL

DOE HELD A RESTRICTED SESSION ON MARCH 13 TO DISCUSS THE
PRINCIPLES OF A REVISED PRICE ESCALATOR FORMULA. WE UNDER-
STAND THAT THE DOE REPS TOOK A TOUGH LINE ON A PRICE FORMULA
RELATED EITHER TO THE PRICE OF INDONESIAN CRUDE (WHAT THE
GOI STRONGLY PREFERS) OR TO ANY OTHER ENERGY PRICE INDEX.
IT IS LESS CLEAR WHAT KIND OF FORMULA WOULD BE ACCEPTABLE.
THE COMPANIES ARE PLANNING TO RESUME NEGOTIATION WITH THE
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PAGE 02 STATE 067469

GOI AROUND APRIL 6 IN JAKARTA. IF THE INDONESIANS ARE
WILLING TO CONTINUE ALONG THIS LINE, IT APPEARS LIKELY
THAT SEVERAL OPTIONS FOR AN ESCALATOR FORMULA WILL THEN
BE PRESENTED FOR DOE REVIEW TOWARD THE END OF APRIL.

F-5 FMS CREDIT SALE - CONFIDENTIAL

THE 30-DAY FORMAL NOTIFICATION PERIOD TO CONGRESS EXPIRES
AT MIDNIGHT FRIDAY, FEB 17. BARRING ANY UNEXPECTED

INDICATION OF CONGRESSIONAL OPPOSITION, DOD/DSAA AND THE
AIR FORCE HAVE MADE ARRANGEMENTS TO DELIVER THE TWO SIGNED
LOA'S TO THE INDONESIAN EMBASSY ON SATURDAY MORNING. THE
EMBASSY WAS PROVIDED UNSIGNED LOA'S FOR STUDY AT THE TIME
THE FORMAL NOTIFICATION WENT FORWARD ON FEB. 15. THE
TOTAL LISTED COST OF BOTH LOA'S IS 125 MILLION DOLS,
INCLUDING PROVISION FOR 5 MILLION DOLS IN OPTIONS (WHICH
THE INDONESIANS ARE NOT EXPECTED TO WANT).

MALAYSIA

PRIME MINISTER'S PARTY PREVAILS IN STATE ELECTION - LOU

PRIME MINISTER HUSSEIN'S NATIONAL FRONT (AND A NEW LOCAL
PARTY PLANNING TO JOIN THE NATIONAL FRONT) SCORED A MAJOR
VICTORY IN KELANTAN STATE ELECTIONS ON MARCH 11. MANY
OBSERVERS AND JOURNALISTS HAD SEEN THE OPPOSITION ISLAMIC
PARTY (WHICH HAD PREVIOUSLY CONTROLLED THE STATE GOVERN-
MENT) AS THE LIKELY VICTOR.

EMBASSY KUALA LUMPUR COMMENTS THAT THIS DEVELOPMENT HAS
GIVEN A TREMENDOUS BOOST TO THE NF WHICH IS NOW EXPECTED
TO CALL FOR NATIONWIDE GENERAL ELECTIONS. THE VICTORY IS
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PAGE 03 STATE 067469

ALSO SEEN BY THE UNITED MALAYS NATIONAL ORGANIZATION (THE
KEY PARTY IN THE NATIONAL FRONT) AS A CONFIRMATION OF THE
PEOPLE'S FAITH IN MALAYSIAN FEDERAL GOVERNMENT PROMISES
OF DEVELOPMENT FOR BACKWARD AREAS SUCH AS KELANTAN, AS
WELL AS AN INDICATION OF THE BANKRUPTCY OF THE ISLAMIC
PARTY PLATFORM AND LEADERSHIP.

POSSIBLE SITE FOR VOA TRANSMITTER - CONFIDENTIAL

BASED ON THE (EXPECTED) DISCOURAGING ASSESSMENT FROM
EMB KL, VOA HAS DROPPED ITS INTEREST IN ACQUIRING A
FORMER BBC SITE FOR A PROPOSED VOA TRANSMITTER. THE
MALAYSIAN-UK PHASE-OUT OF THE BBC HAS BEEN ACRIMONIOUS
AND THE MALAYSIAN POLITICAL CONCERNS WHICH LED TO BBC
WITHDRAWAL WOULD BE JUST AS APPLICABLE TO VOA.

THAILAND

MILITARY PURCHASING TEAM TO VISIT EUROPE AND BRAZIL - CONF

FIVE SENIOR THAI MILITARY OFFICERS WILL LEAVE ON A SIX
WEEK MILITARY EQUIPMENT PURCHASING MISSION TO EUROPE AND

BRAZIL ON APRIL 18. THE TEAM PLANS TO VISIT SPAIN, ITALY, GERMANY, AUSTRIA, FRANCE, AND UK - TRADITIONAL EUROPEAN MILITARY EQUIPMENT PRODUCING NATIONS. IN BRAZIL, THE THAI OFFICERS ARE APPARENTLY INTERESTED IN EXAMINING THE

ARMORED CAR MANUFACTURED THERE WHICH WAS DEMONSTRATED IN THAILAND IN 1977.

THIS PLANNED MISSION REFLECTS INCREASED THAI INTEREST IN DIVERSIFYING THE SOURCE OF THEIR MILITARY EQUIPMENT (90 PERCENT IS OF US ORIGIN AT THIS TIME). IT MAY ALSO BE A SIGN OF THAI CONCERN ABOUT THE FUTURE RELIABILITY OF THE US AS A SOURCE OF MILITARY HARDWARE.

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PAGE 04 STATE 067469

THAILAND UNPEGS THE BAHT FROM THE DOLLAR - LOU

ON MARCH 8, THE RTG ANNOUNCED THAT THE BAHT WOULD NO LONGER BE TIED TO THE DOLLAR BUT WOULD INSTEAD BE LINKED WITHIN THREE MONTHS TO A BASKET OF "STABLE CURRENCIES" INCLUDING THE DOLLAR. RTG JUSTIFIES THIS ACTION BECAUSE THE DOLLAR HAD DECLINED 15 PERCENT IN TERMS OF THE CURRENCIES OF THAILAND'S MAJOR TRADING PARTNERS. SINCE THIS ANNOUNCEMENT, HOWEVER, THE BAHT/DOLLAR RATE IN BANGKOK HAS REMAINED AT THE OLD LEVEL. THE IMF INDICATES THAT THAILAND HAS FORMALLY REQUESTED SEVERANCE OF THE BAHT'S LINK TO GOLD. WITHIN TWO MONTHS AN IMF TEAM WILL VISIT BANGKOK TO DETERMINE AN APPROPRIATE EXCHANGE RATE POLICY. IN THE INTERIM, IMF BELIEVES BAHT/DOLLAR RATE WILL CONTINUE AROUND OLD RATE OF 20 BAHT PER DOLLAR. VANCE

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 mar 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE067469
Document Source: CORE
Document Unique ID: 00
Drafter: STAFF:LGR
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780116-1317
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780359/aaaabxvi.tel
Line Count: 151
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 16dda1c5-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY, STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY, STADIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3303167
Secure: OPEN
Status: NATIVE
Subject: WEEKLY STATUS REPORT -- THAILAND, INDONESIA, MALAYSIA, BURMA AND SINGAPORE AFFAIRS INDONESIA
TAGS: MILI, MASS, PDIP, PGOV, ID, MY, SN, BM, TH
To: EA POSTS SUVA
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/16dda1c5-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014